BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 96-001-E - ORDER NO. 96-225

MARCH 29, 1996

IN RE: Adjustment of Base Rates for Fuel Costs of Carolina Power & Light Company.	)))	ORDER APPROVING BASE RATES FOR FUEL COSTS

On March 14, 1996, the Public Service Commission of South Carolina ("the Commission") held a public hearing on the issue of the recovery of the costs of fuel used in electric generation by Carolina Power & Light Company ("CP&L" or "the Company") to provide service to its South Carolina retail electric customers. The procedure followed by the Commission is set forth in S.C. Code Ann., 58-27-865 (Supp. 1995). The review of this case is from July 1995 through December 1995.

At the public hearing, William F. Austin, Esquire, and Len S. Anthony, Esquire, represented CP&L; Nancy Vaughn Coombs, Esquire and Catherine Heigel, Esquire, represented the Intervenor, the Consumer Advocate for the State of South Carolina ("the Consumer Advocate"); and Florence P. Belser, Staff Counsel, represented the Commission Staff. The record before the Commission consists of the testimony of Ronald R. Penny, Richard B. Meschke, and Hugh K. Evans on behalf of CP&L; the testimony of Jacqueline R. Cherry and Raymond C. Sharpe, III on behalf of the Commission Staff; and five (5) hearing exhibits.

Based upon the evidence of the record, the Commission makes the following findings of fact and conclusions of law:

FINDINGS OF FACT

1. The record of this proceeding indicates that for the period from July 1995 through December 1995 CP&L's total fuel costs for its electric operations amounted to $288,243,609. Hearing Exhibit No. 4, Accounting Exhibit E.

2. Staff reviewed and compiled a percentage generation mix statistic sheet for CP&L's fossil, nuclear, and hydroelectric plants for July 1995 through December 1995. The fossil generation ranged from a high of 59.42% in September to a low of 48.02% in November. The nuclear generation ranged from a high of 49.50% in November to a low of 39.20% in September. The percentage of generation by hydro ranged from a high of 2.48% in November to a low of 1.00% in August. Hearing Exhibit No. 5, Utilities Department Exhibit No. 3.

3. During the July 1995 through December 1995 period, coal suppliers delivered 4,355,194.02 tons of coal. The Commission Staff's audit of CP&L's actual fuel procurement activities demonstrated that the average monthly received cost of coal varied from $42.58 per ton in July to $44.60 per ton in August. Hearing Exhibit No. 4, Accounting Exhibit A.

4. According to CP&L's witness Hugh K. Evans, the performance of CP&L's nuclear units equals or exceeds that of comparable facilities as demonstrated thusly:

CP&L system actual capacity factors -

CP&L data for PWRs July 1995-December 1995	77.8%	1 unit refueled
CP&L data for BWRs July 1995-December 1995	93.4%	0 units refueled

National average capacity factors -

NERC data for PWRs 5 year 1990-1994	72.8%
NERC data for BWRs 5 year 1990-1994	62.9%

5. Staff collected and reviewed certain generation statistics of major CP&L plants for the six months ending December 31, 1995. Hearing Exhibit No. 5, Utilities Department Exhibit 4. The nuclear fueled Robinson Plant had the lowest average fuel cost at 0.45 cent per kilowatt-hour. The highest amount of generation was 6,752,836 megawatt-hours produced at the coal fueled Roxboro Plant.

6. The Commission Staff conducted an extensive review and audit of CP&L's fuel purchasing practices and procedures for the subject period. The Staff's accounting witness, Jacqueline R. Cherry, testified that CP&L's fuel costs were supported by the Company's books and records. Testimony of Cherry; Hearing Exhibit No. 4, Accounting Department Exhibits.

7. The Commission recognizes that the approval of the currently effective methodology for recognition of the Company's fuel costs requires the use of anticipated or projected costs of fuel. The Commission further recognizes the fact inherent in the utilization of a projected average fuel cost for the establishment of the fuel component in the Company's base rates that variations

between the actual costs of fuel and projected costs of fuel would occur during the period and would likely exist at the conclusion of the period. S.C. Code Ann. §58-27-865 (Supp. 1995), establishes a procedure whereby the difference between the base rate fuel charges and the actual fuel costs would be accounted for by booking through deferred fuel expenses with a corresponding debit or credit.

8. The record of this proceeding indicates that the comparison of CP&L's fuel revenues and expenses for the period July 1995 through December 1995 produces an over-recovery of $356,149. Staff added the projected under-recovery of $578,805 for the month of January 1996, the projected under-recovery of $193,306 for the month of February 1996, and the projected over-recovery of $598,525 for the month of March 1996 to arrive at a cumulative over-recovery of $182,563 as of March 1996.[1] Testimony of Cherry, pp. 5-6.

9. CP&L's projected average fuel expense for the period of April 1996 through September 1996 is 1.374 cents per kilowatt-hour. This projected fuel expense includes an adjustment for the projected over-recovery at March 1996. Penny Testimony, p. 3.

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1. The Company's cumulative over-recovery as of March 1996, as reflected in its prefiled testimony, totaled $150,079. The difference between the Company's and the Staff's cumulative over-recovery totaled $32,484. This difference is based on Staff's correction of some miscalculated Purchased Power Costs for August 1995. The effect of correction on the deferred fuel account, on a South Carolina jurisdictional basis, reduced the under-recovery for August 1995 from $1,221,374 (per the Company's books and records) to $1,188,890, resulting in the difference of $32,484. The Company's correction of $32,484 to the cumulative balance of the deferred account will be reflected in the Company's February 1996 per book figures.

10. Company witness Penny proposed that the fuel factor be continued at the current level of 1.340 cents per kilowatt-hour for the next six-month period. Penny Testimony, p. 3.

11. Hearing Exhibit No. 5 reveals that using the currently projected sales and fuel cost data and the projected cumulative over-recovery of $182,563 through March 1996, the average projected fuel expense is estimated to be 1.372 cents per kilowatt-hour for the six months ending September 1996. Applying this fuel factor of 1.372 cents per kilowatt-hour would produce an estimated under-recovery of $6,448 for the next period. The currently approved fuel factor is 1.340 cents per kilowatt-hour. Applying the currently approved fuel factor of 1.340 cents per kilowatt-hour would produce an estimated under-recovery of $1,100,097 for the next period. Hearing Exhibit No. 5, p. 5-6 and Utilities Department Exhibit 10.

12. During the period under review, Harris Unit 1 was down for refueling during some portion of the period. The nuclear units operated very well during the period under review. All outages were reviewed by Staff[2] (Hearing Exhibit No. 5, Utilities Department Exhibit 2A), and a determination was made by Staff as to the prudence of the outages. Staff determined that there were no Company actions which required CP&L's customers to incur higher

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2. Staff included in its review a forced outage at Robinson Unit 2 which began on June 30, 1995. In Order No. 95-1560 dated September 25, 1995, (Docket No. 95-002-E), the Commission ordered that the forced outage beginning June 30, 1995 at Robinson Unit 2 would be reviewed in the Company's next fuel proceeding.

fuel costs. Therefore, no disallowances of any fuel costs during the review period were recommended. Testimony of Sharpe, pp. 3-5.

CONCLUSIONS OF LAW

1. Pursuant to S.C. Code Ann.,§58-27-865(A)(Supp. 1995), each electrical utility must submit to the Commission its estimated fuel costs for the next six (6) months. Following an investigation of these estimates and after a public hearing, the Commission directs each electrical utility "to place in effect in its base rate an amount designed to recover, during the succeeding six months, the fuel costs determined by the Commission to be appropriate for that period, adjusted for the over-recovery or under-recovery from the preceding six-month period." Id.

2. S.C. Code Ann., Section 58-27-865(F) (Supp. 1995) requires the Commission to allow electrical utilities to recover "all their prudently incurred fuel costs... in a manner that tends to assure public confidence and minimize abrupt changes in charges to consumers."

3. As stated by the Supreme Court in Hamm v. South Carolina Public Service Commission, 291 S.C. 178, 352 S.E.2d 476, 478 (1987), Section 58-27-865(E) requires the Commission "to evaluate the conduct of the utility in making the decisions which resulted in the higher fuel costs. If the utility has acted unreasonably, and higher fuel costs are incurred as a result, the utility should not be permitted to pass along the higher fuel costs to its customers." "[T]he rule does not require the utility to show that its conduct was free from human error; rather it must show it took

reasonable steps to safeguard against error." Id. at 478, citing Virginia Electric and Power Co. v. The Division of Consumer Council, 220 Va. 930, 265 S.E.2d 697 (1980).

4. The Commission recognizes that Section 58-27-865(E) provides it with the authority to consider the electrical utility's reliability of service, its economical generation mix, the generating experience of comparable facilities, and its minimization of the total cost of providing service in determining to disallow the recovery of any fuel costs.

5. After considering the directives of §58-27-865(A) and (F) which require the Commission to place in effect a base fuel cost which allows the Company to recover its fuel costs for the next six months adjusted for the over-recovery or under-recovery from the preceding six month period, in a manner which assures public confidence and minimizes abrupt changes in charges, the Commission has determined that the appropriate base fuel factor for April 1996 through September 1996 is 1.340 cents per kilowatt-hour. The Commission finds that a 1.340 cents per kilowatt-hour fuel component will allow CP&L to recover its projected fuel costs and, at the same time, prevent abrupt changes in charges to CP&L's customers.

IT IS THEREFORE ORDERED THAT:

1. The base fuel factor for the period April 1996 through September 1996 is set at 1.340 cents per kilowatt-hour.

2. In Order No. 95-781, dated March 28, 1995, the Commission approved a change in CP&L's Rider which made the language of the

Rider generic concerning the length of time the fuel factor is in effect. As this Order continues the fuel factor previously authorized in Order No. 95-781, CP&L does not need to file a new rate schedule pursuant to this Order.

3. CP&L shall comply with the notice requirements set forth in S.C. Code Ann., §58-27-865(A)(Supp. 1995).

4. CP&L shall continue to file the monthly reports as previously required.

5. CP&L shall account monthly to the Commission for the differences between the recovery of fuel costs through base rates and the actual fuel costs experienced by booking the difference to unbilled revenues with a corresponding deferred debit or credit.

6. CP&L shall submit monthly reports to the Commission of fuel costs and scheduled and unscheduled outages of generating units with a capacity of 100 MW or greater.

7. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

Rudolph Mitchell
CHAIRMAN

ATTEST:

Charles W. Ballentine
Executive Director

(SEAL)